Economic Intelligence Cell
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Macro Insights

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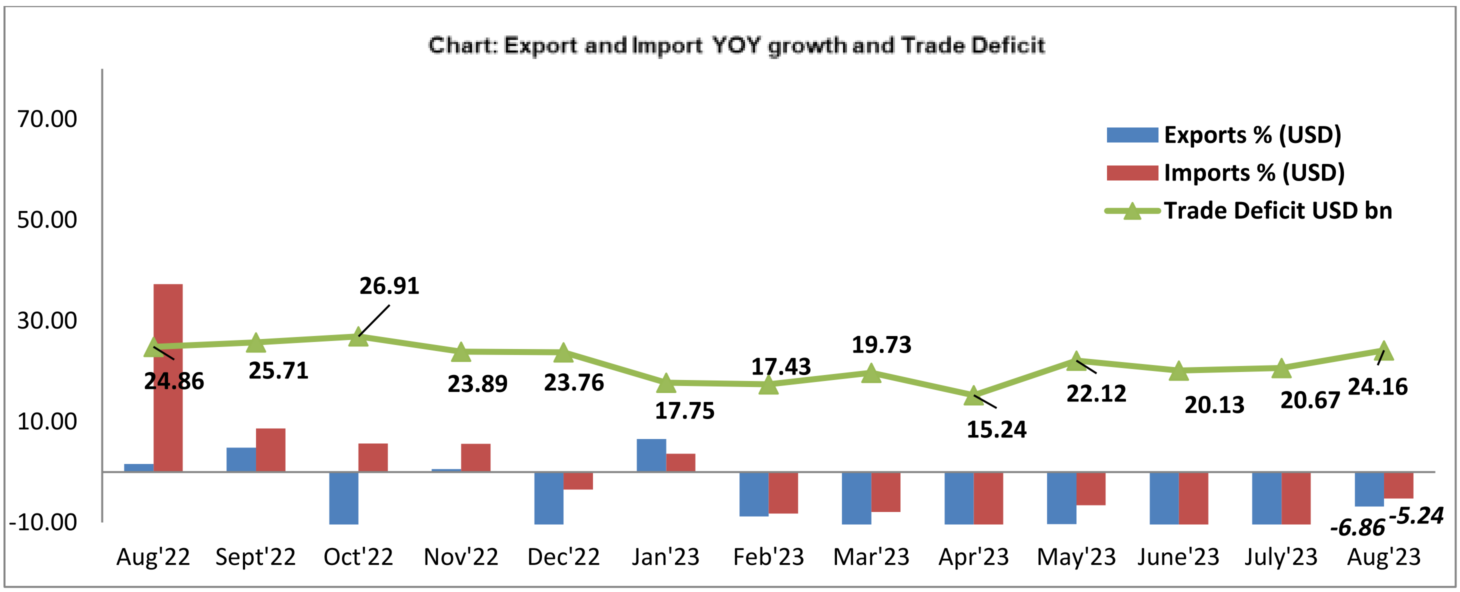
Trade Deficit widened to a 10-month high of $24.16 billion

India's merchandise trade deficit widened from $20.67 billion in July'23, but remained at par at $24.16 billion in Aug'23 from $24.86 billion in Aug'22

Highlights:

- *Merchandise exports contracted to $34.48 billion, down 6.9% year-on-year in August 2023. Meanwhile Merchandise imports also declined to $58.64 billion, down by 5.2 % year-on-year in August 2023.*
- *This is the seventh consecutive month of a contraction in both exports and imports.*
- *During April'23 to Aug'23, Merchandise exports contracted to $172.95 billion, down 11.9% year-on-year. Meanwhile during the same period, Merchandise imports also declined to $271.83 billion, down by 12.1 % year-on-year.*
- *Non oil exports remained stable with 1.95% YOY decline.*
- *Non jewellery exports reversed their trend of contraction and grew at 3.2% in Aug'23 to $26 billion.*



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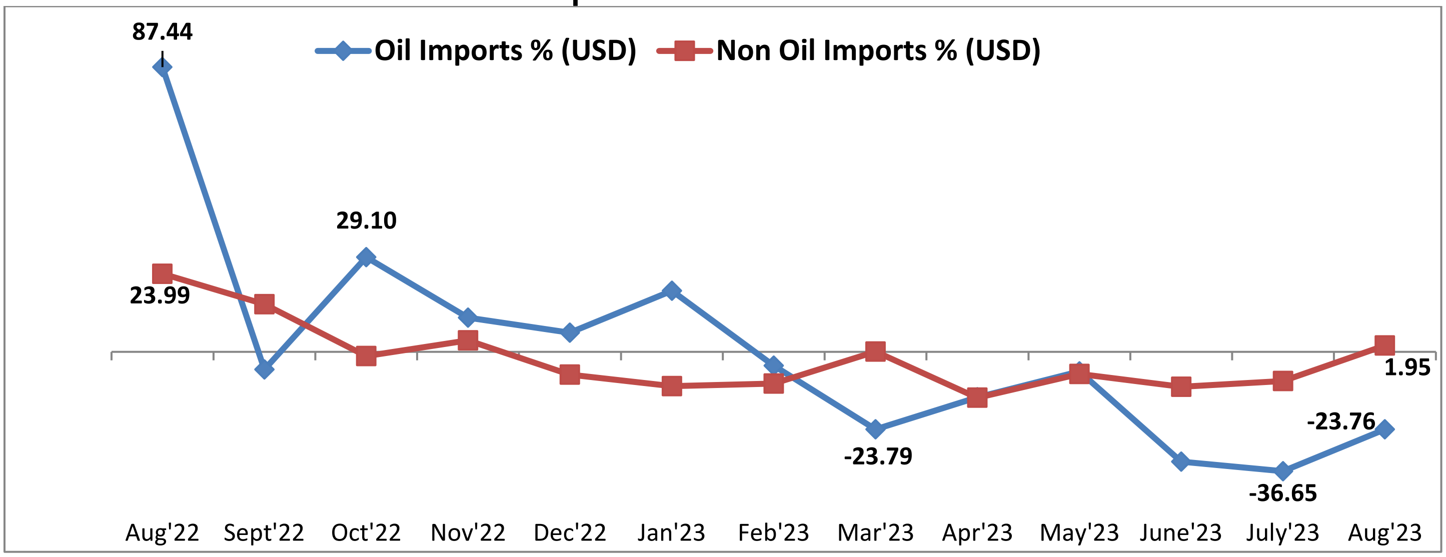
Month	Exports	Imports	Trade Deficit
Aug'22	37.02	61.88	-24.86
Aug'23	34.48	58.64	-24.16
YoY Growth (%)	-6.9%	-5.2%	-2.8%

Chart: Import Growth % - Oil & Non-Oil



Views:

- ✓ August'23 was the fourth consecutive month when the trade deficit was beyond $20 billion due to weak external demand.
- ✓ Industry is optimistic regarding the exports due to visible greenshoots.
- ✓ The trade deficit is expected to be in the range of $17 - $22 billion for the next 4 -5 months.
- ✓ India's current account deficit narrowed sharply in the fourth quarter of fiscal year 2022-23, to $1.3 billion owing to moderation in trade deficit and robust services exports. The Q4 CAD dropped to 0.2% of GDP. Further, in Q4, FDI recorded robust sequential rise to $6.4 billion, on the contrary, forex exchange reserves dropped drastically. The Current Account Deficit is expected to narrow considerably in FY'24 to 1.2 – 1.5% of the GDP though higher crude oil prices in the second half of the year pose an upside risk.
- ✓ RBI has been consistently building up its forex reserves this year. Steady growth in forex reserves helps in curbing exchange rate volatility and reinforces the INR's stability. The rupee is expected to trade in the same range for next few months and isn't expected to depreciate beyond Rs.83-84per dollar.

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